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PARIS 2015

CLIMATE FINANCE DAY

#climatefinanceday

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UNESCO Headquarters

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OPENING SESSION

An audience of over 1 000 major financial players assembled at UNESCO Headquarters for Paris 2015 Climate Finance Day to hear more than 40 speakers at an event dedicated to building commitment and investment in the green economy through cooperation between public and private players. The event featured contributions from French Ministries, United Nations organisations, insurance, banking, and finance, in formal addresses, round tables and interactive Twitter-powered sessions.

Gérard MESTRALLET, Chairman of Paris EUROPLACE, Chairman & CEO of ENGIE, and Coordinator of the Business Dialogue, in his introductory presentation, described the event's key role in the lead-up to the Paris United Nations Climate Conference, as attested to by the strong recognition given by the United Nations itself. Climate Finance Day further came at the close of Climate Week Paris, attended by top governmental figures from France and around the world.

Global warming is, he stated, a challenge of tremendous ramifications today for countries and businesses across the world – one that could lead to disaster and severely disrupt the world's equilibrium. The financial industry, having recognised that climate change will significantly impact global stability, international economies and the ecosystems, supports the target of maintaining global warming below 2° by 2050. Although not directly involved in climate negotiations, it can play a major part in combating global warming, by: steering markets and the economy toward a low-carbon intensive model, attracting capital on a large scale for climate-related innovations, reducing their involvement in sectors or companies with high emissions, and anchoring companies engaged in climate strategies.

Another recent innovation has been the launch of green bonds to finance environmental products. The international green bond market has increased ten-fold in one year and Paris is well-engaged in his new direction. His own company issued its first green bond last May, the largest yet produced by a private company, dedicating €2.5 billion to finance growth in renewable energies.

The Paris Europlace guide published in conjunction with the conference offers an overview of the characteristics and perspective of this market, as well as France's expertise in the area of climate finance. In addition to this, many young innovative companies are developing new activities relating to climate issues, in risk measurement, cloud-computing, as well as dedicated rating agencies and crowd-funding activities.

While one central aim of International Climate Finance Day is to introduce international practices and guidelines, the issue of financing a swift transition to a local economy remains of crucial importance. As public financing will be insufficient, both in developed and emerging countries, the financing shift requires a more appropriate regulatory environment and drivers.

Another key priority is the implementation of the carbon price, a real compass for climate finance and indicator of cost effectiveness. At the same time, the financial sector can play a significant role in providing technological solutions, investments and financial resources to tackle climate change. Some institutions are already acting in this manner.

He looks forward to this event and the opportunity to delve into four key issues!

- How can finance and insurance take into account finance risk in order to be more resilient and capable of adapting to them?
- What kind of banking and financial tools will allow the financing of green projects?
- What are the innovative financial policies currently in place across the world, creating a financial system open to climate investment?

Michel SAPIN, French Minister of Finance and Public Accounts, offering his opening thoughts to the assembly, referred to France's strong mobilisation in favour of climate finance and, moreover, to the shared aspiration of all those represented to pave the way for an agreement on the climate, indeed an alliance, further to the Paris COP 21 event in December. The agreement must set out concrete tools to contain the temperature rise, establishing the global transition pathway, while also providing the tools needed to adapt societies.

It is the determination and unity of an alliance, however, which the world will need to successfully take on the challenge of climate change. France has shown its determination by requiring that all institutional investors in France henceforth disclose their carbon footprint. It is now working to make the Green Fund for the Climate operational, so that it can quickly undertake projects, fund greenhouse gas reduction measures, and underpin climate change adaptation policies. At the global level, significant action to “shift the trend” is also taking place, most recently through the commitments secured at the Climate Summit in New York.

On the ground, it is important that the consequences of unmitigated climate change be understood and that the parameters specific to climate finance be clearly established and stated. This will make it easier for investors to set out on this path and will keep “greening” from becoming nothing but a fashionable term. The importance of transparent, steady communication as a means of facilitating operational change applies indeed across the world, and in this regard, Michel SAPIN is particularly pleased to see the emerging countries represented at this event.

He assured the audience that they can count on the unwavering commitment of the public authorities and ministers in establishing the necessary framework, and counts on the business and investment community to develop the positive peer pressure and leadership effects needed to build a low-carbon economy.

Christiana FIGUERES, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) paid tribute to France’s recent law requiring carbon footprint disclosure of all institutional investors, describing it as a game-changer from which all countries should derive inspiration.

The “new home” being built by the global community – the previous one having proven unsafe, unreliable and unprofitable – will need to be built on four pillars, which have operated almost independently from one another thus far, when indeed they are interlinked:

- policy, at both the national and international levels;
- technology, in order to achieve even greater efficiencies and make strides in storage;
- business commitment, through both high-profile initiatives and incorporation into the corporate strategy;
- and last but not least, finance, whereby the climate must be given due consideration and status in the global financial system.

True to the Portuguese expression, the global community must now “create the path as it walks”, a daunting yet simple task: it is heading into unknown territory with the greatest of aspirations, but need only proceed step by step. Concretely, it must work to identify and quantify risks, then build the instruments needed to manage those risks, in a timely fashion.

In the greening of the world’s economy, the greatest risk will come from inaction. She concluded her remarks by quoting a Swiss RE insurer: “A world that stays under 2° is insurable – beyond that, we just don’t know”.

ROUND TABLE 1

HOW CAN INSTITUTIONAL INVESTORS BRING THEIR PORTFOLIOS INTO LINE WITH 2°C?

Izabella KAMINSKA, Round Table moderator and Journalist at the *Financial Times*, confessed, in introducing the session's topic, to how little her daily activities, despite being closely in step with current events and societal development, had informed her about climate finance. Indeed, the dominant refrain in traditional investment banking has only to do with securing high returns, and takes little interest in sustainability. Through their presentations and discussion, a number of key themes emerge:

I) The Need to Build Awareness

Anthony HOBLEY, CEO of Carbon Tracker, drew a comparison between the present crossroads and the outlook of the financial markets in the late-19th or 20th centuries, when the Chairman of one of the leading manufacturers of steam and locomotives firmly stated, "Mark my words: steam locomotion will be the dominant form of transport well into the 1980s and beyond". The carbon-intensive industries speak in similar tones today, describing fossil-fuel based energies as the foundation for the future, reflecting what he refers to as systemic laziness in the financial markets. Many companies pour trillions of dollars into high-carbon projects that make no sense presently and will make even less in the future.

In the awareness-raising effort now needed – both about the cost benefits of energy efficiency and the exorbitant premium connected with fossil fuel risk – financial regulators will have a crucial part to play. It is clean energy and not fossil fuels that will solve poverty.

Martin SKANCKE, Chairman of PRI, concurred regarding the importance of engaging with investors, as they simply are not aware that whenever they invest in a manner not compatible with the 2° target, they build up carbon in the system.

II) Drawing New Paths

The paths open to investors, once they have understood the need for action, also need to be presented effectively. Martin SKANCKE made the distinction between individual investors and the investor community as a whole. The former should be encouraged not only to shift their investment portfolios in favour of low-carbon businesses, but also to demand a dividend pay-out of those companies that refuse to divest, so that they can invest in a manner more sustainable and compatible with long-term objectives.

As to investing companies, he emphasised the sometimes-forgotten truth that a coal company will be uninclined to turn into a wind-power company overnight. With them, the goal should thus be to engage on capital structures and dividend policies that will then directly impact their investment policies.

The Investors and Climate Change Platform has chosen a four-step approach:

- measuring the carbon footprint to enable a better understanding of portfolios,
- securing engagement from investors in areas relating to the climate, e.g., fossil fuels, fracking, lobbying, etc.,
- mitigating impacts by applying low-carbon strategies and working to re-establish balances,
- and encouraging investment in low-carbon energy sources.

This is very much in harmony with the three-step pathway adopted by AP4, represented by its Chairman Mats ANDERSSON: disclosure, decarbonisation and experience-sharing.

III) Achievements and Engagements to Date

AP4, working together with Amundi, CBP and Unify have founded a coalition announced at the Climate Summit in New York last year. It is now halfway to its aim of having $100 billion channelled toward low-carbon strategies.

PGGM Investments, having completed its review of the investor community and environment, is starting to build a listed equities portfolio of companies working to make a positive impact on the climate. Its largest commitment secured thus far is from the Dutch Healthcare Sector Pension Fund, worth €180 billion euros, and now determined to reduce its CO2 footprint by 2020 and increase impact investments four-fold, to 12%.

Calpers, long committed to climate finance and one of the original signatories to both the PRI and CERES, has adopted a three-channel approach to climate change and climate risk: through public policy, strongly advocating for carbon pricing and cessation of subsidies for fossil fuels in the United States; through business, partnering with 70 asset owners and 46 fossil fuel companies, pushing them to perform better risk analysis and incorporate climate risk into both that analysis and their long-term business planning. It has made climate risk part of its own investment decision-making, as well as its criteria for manager performance review and governance.

IV) Different Perspectives

Philippe ZAOUATI, CEO of responsible investment company Mirova, which offers clients and investors conviction-based products, stirred the audience to inquire into the very concept of risk, which many financial sector players today see as stemming solely from regulatory developments.

Miriam BELCHIOR, of Caixa Econômica Federal, in Brazil, offers the insight of a country seen as still-developing, yet already equipped with very large-scale projects to implement solar heating and using renewable energies to meet 73% of its needs.

V) Moving Forward Determinedly, Yet Cognizantly

Speakers explored some of the risks of which it is important to be aware moving into the future:

- the “carbon bubble”, or the building up of carbon risk in the financial system, due to carbon-intensive companies’ investing much more in fossil fuels than is economically sustainable;
- mis-pricing of CO2 emissions and, more generally, speaking, building future plans on flawed models of the past;
- the skewed relationship between company owners and shareholders, which as the effective owners of companies should determine Board membership, dividend policy, capital structure, etc.;
- delayed action, which can lead only to a “disorderly transition”, and possibly to disaster;
- the sizeable government subsidies currently channelled at low-carbon energy companies, which could make further investment seem nonsensical to private players;
- the use of revenues from existing operations to finance new fossil fuel investments, with which renewable sources will have to compete, marring the transition into low carbon economy.

Philippe ZAOUATI reminded audience members that, amidst the abundant theory about divestment and decarbonisation, it was important to remember that investors need not to decarbonise their portfolios, but use our portfolios to decarbonise the economy. The road toward tackling climate change is set; it is time to convince investors to set out on nit.

Mats ANDERSSON agreed that there was no easy answer. Change is vitally necessary, and we hope that it will take place gradually.

Some of the opportunities identified include:

- the private markets, as a sometimes-overlooked source of long-term commitment aimed at reducing the carbon footprint;
- a “perfect storm”, resulting from the growing number of avenues for emissions efficiency, rising capital expenditure requirements in fossil fuel companies, and the decreasing cost of renewable energies;
- lobbying for governments to
    - cut back subsidies to green companies and using them in areas such as healthcare and education,
    - communicate more about the importance of clean energy,
    - require disclosure of all types of emissions throughout product life cycle, including Scope III

VI) An Inspiring Horizon

Anthony HOBLEY felt that the divestment movement is as important as the civil rights, anti-slavery or anti-tobacco movements were in their day. It is sweeping across university campuses in the UK and the US, engaging young students at a level not seen in climate change until this point with them something they can understand and in which they can become involved.

He concurrently pointed out the many signs that change is underway, from the comments recently voiced by the Bank of England’s Mark Carney, to the legislation passed by the French government requiring disclosure by portfolio managers. At the G20, the French Treasury deployed incredible efforts in pushing for the same to be included in the G20 statements. The G20 has further asked the Financial Stability Board to investigate. This is an entirely new paradigm, one conducive to a level playing field and the divestment of fossil fuel investments to climate finance, with the involvement of regulators.

Mats ANDERSSON underscored that the PRI has gained 1,400 signatories across the world, representing $50 trillion in funds under management. There is enormous growth in the attention paid by institutional investors to climate finance. The Montreal Pledge, meanwhile, designed to encourage carbon intensity management in portfolios, was boosted by the French Government’s announcement. He deems that the movement has passed the tipping point into a sustainable world, of which the financial sector will definitely be part. The speed will be determined by policy makers and politicians, as well as owners of companies.

Martin SKANCKE offered a reminder of the time-scale involved, recognising the difficulty involved in taking up a long-term endeavour, in an area structured for and accustomed to immediate rewards.

Priya Sara MATHUR, Member of the Board at Calpers, saw the controversy and debate around this issue to be very energising. Her confidence in the ability of governments, investors and businesses to jointly build a 2° economy was echoed by Philippe ZAOUATI and Miriam BELCHIOR.

KEYNOTE SPEECH

Purna SAGGURTI, Global Chairman of Corporate and Investment Banking at Bank of America Merrill Lynch, spoke about his great concern around the issue of climate change. He reminded audience members of the vital need not only to find the right ideas to fight climate change, but also to find or build the resources needed to bring these ideas to life. In 2007, the Bank of America decided to scale up its efforts on low-carbon investment, lending money, raising capital and offering strategic advice and expertise in the area. Over the past eight years, the financial risks involved have faded to a great extent.

Challenges remain nonetheless and, in response to these, the Bank wishes to engage each and every part of its business to help accelerate the transition into a low-carbon economy, specifically by:

- setting a target of $270 billion for environmental investment internally and initiating a $1 billion capital finance initiative involving partners from diverse backgrounds to mitigate risks inherent in climate finance;
- committing intellectual capital, as a means of broadening the investment base and accelerating capital flows;
- building public-private partnerships in which both resources and thinking are pooled to create and deliver effective solutions.

It is important that the investor community quicken the pace if it is to successfully address the threat posed by climate change. A deal in Paris by policy-makers in December 2015 would provide a catalyst for low-carbon investment rules. The financial services industry plays a unique role in designing and enabling the innovations that will send us in a new direction in the energy sector.

The Sustainable Energy for Oil Initiative has estimated that, to achieve the three lofty goals it set out – ensuring energy access for all, doubling the share of renewables from 18 to 36%, and doubling energy efficiency by 2030 – $750 billion dollars per year will be needed. To bridge the gap and make projects more financeable, she offered the following recommendations:

- NDBs should consider not only lending for innovative opportunities, but de-risking products (removing the sovereign risk, minimising impact and delaying the return risk);
- The excessive price of Green Bonds when compared to regular bonds should be absorbed by financial players so that the transition is an affordable, appealing endeavour.

He concluded her presentation by encouraging all those present to become part of the United Nations' Climate Finance Initiative of the United Nations and Sustainable Energy Initiative, both important pieces of the overall climate solution. He asked that they continue to sense the urgency and embrace the need, doing everything in their power to bridge the gap between fund sources and needs.

ROUND TABLE 2

ASSESSING, FINANCING AND INSURING AGAINST CLIMATE RISK

Aron CRAMER, Round Table Moderator, and President and CEO of Business for Social Responsibility (BSR) opened the session by explaining how the insurance sector lies at the centre of the dilemma presented by the climate: on the one hand, there are new risks just beginning to be understood; and opportunity and innovation beckoning on the other. Meanwhile, the insurance sector is facing a much more volatile and uncertain world, yet brings to bear greatly-needed skills and competences for the new era.

I. The Role of the Insurance Sector

Rachel KYTE, Vice President and Special Envoy for Climate Change at the World Bank Group, explained that the insurance industry is poised to and, in some cases, already playing an instrumental role in determining the best response to climate change. Much of the focus will be on the financial tools best suited to speeding up mitigation efforts. If the financial community is not able to bolster support to the most vulnerable and help them become resilient in a world of greater volatility and uncertainty, then it will have failed.

Insurance is distinctively important in that: insurers are specifically trained to price risks; developing countries are calling for resilience mechanisms, including financial protection; and dialogue about the prominence and importance of developing insurance markets is growing.

The “real and present danger” lies in extreme weather events. The industry’s role, working together with the public sector, is to help government understand the need for mechanisms that will allow them to build and bounce back more resiliently in the immediate wake of events. The World Bank is at the same time seeing markets on which the trajectory of extreme weather events and climate impact is such that the market goes beyond the point of potentially insurable risk. Furthermore, in the vast majority of developing countries, 70% of risk is uninsured. The first line of defence will thus consist of deepening and broadening insurance, for both government and individuals.

Peter ELLSWORTH, Senior Manager of Investor Programmes at CERES, described the insurance sector as being of strategic importance to the climate and clean energy agenda, destined to play a significant role in shaping the perspective and response of companies and investors to climate risk and climate change, through appropriate pricing and skilled underwriting.

He illustrated this using two examples:

- Property insurers in the United States use a combination of proprietary data and data from the National Oceanic and Atmospheric Organisation to identify high-impact areas of extreme weather and mitigate the losses. This is useful not only for underwriting and pricing, but also for understanding investment risks.
- Liability policies must protect directors and executives from shareholder losses, including fiduciary negligence. The Board or Senior Management of a company dependent on access to plentiful and affordable water may fail to anticipate the consequences of water becoming scarce or more expensive, while an energy company may doggedly or, some may say, recklessly invest capital to assess new reserves at untenable rate deviance. Insurers need to understand these and many other climate-related risks, as well as if not better than many policy-holders. As insurers improve in this, refining the tools that help price risks, that knowledge

could lead to better decision-making around investment as well as underwriting, as well as reduce the entire insurance company's exposure to the climate.

II. Today's Trends: Testimonials from Two Major Players

Philippe DERIEUX, Deputy CEO of AXA Global P&C, described the major change in the insurance profession today as the need to better assess risk through improved models, encompassing a greater variety of risks and to develop understanding of new or less familiar themes. This is facilitated by Big Data.

Technologies are also used to develop parametric, index-based insurance in territories where the local capacity to gather data or infrastructure is not yet in place for traditional insurance.

The creation of new business models remains a long-term endeavour nonetheless, requiring endurance, discernment and shrewdness. To wit, although France is a mature market, it took three years to develop the most recent flood model, due precisely to climate change.

Andreas SCHRAFT, Managing Director of Head Cat Perils at Swiss RE could only concur with this, calling climate change a "current" issue to him for approximately twenty years. In his experience, the two main challenges today are: insurers' desire to quantify risk in a world of climate change not yet well-defined; and the global and broadening protection gap, whereby two-thirds of risk today are not insured, even for major natural disasters.

Notwithstanding, given that economic development is Man's doing, it can be influenced more easily than climate change. Almost all of the increase in countries' risk can be mitigated by intelligent construction and taking risk factors duly into account. The effort must be made on the part of individuals, businesses and governments.

III. In Developing Regions

The African Risk Capacity, a specialised agency of the African Union represented by its Chief of Staff, Fatima KASSAM, offers sovereign-level risk insurance to African governments to fulfil the growing need for contingency financing options, while also cultivating demand by selling products.

Building from a databank that extends back to 1930, it analyses weather trends in geographic regions alongside insurance rate levels. The Extreme Climate Facility (EXCF) has come about as a result of this, using public finance from donor countries to attract public capital, then used to help countries mitigate risk and introduce climate adaptation effectively. In the future, it hopes to use insurance not only to manage current weather risk, but also helping build resilience models in line with development and population growth, including in the world's least-developed countries.

Leapfrog, a social investment fund investing in Africa and Asia, focuses on insurance and related financial services for 40 million individuals in Africa and Asia, 33 million of whom are "emerging consumers". With the first purchase of a house, car, refrigerator, etc., they naturally need the mortgages, insurance, financing, etc. which Leapfrog supplies.

Dr Jim ROTH, its Co-Founder and Partner, told of the optimistic trends it has seen on the ground: further climate change has been averted, micro-finance and other financial service institutions are supporting the promotion of green technologies, and risk is being mitigated effectively.

The poor population his organisation serves cannot afford insurance unless it carries a much lower premium and benefits. The response has been to resort to very innovative distribution techniques, including the use of mobile phones and partnerships with micro-finance institutions that sell insurance products. As to the potential addressable population, it is tremendous: as an example, only 3 to 4% of the Indian population has health insurance.

Rachel KYTE warned, on this point, against considering the poor populations as unsophisticated. Indeed, it takes far more skill and astuteness to manage on an unsteady income that never exceeds two dollars per day.

IV. A Focus on the Protection Gap

Rachel KYTE, Vice President and Special Envoy on Climate Change at the World Bank Group, described the World Bank's efforts to close the insurance protection gap, based primarily on educating governments, across the division of responsibilities and accountability between central and local governments, so that they can understand the need to mitigate risk through a combination of policy and budgeting.

Donors have in particular offered to subsidise the premiums until the countries grow accustomed to the situation. When new made the first necessary pay-out within two weeks of the disaster, this was seen as a very important signal across. When the Vanuatu region was hit, we delivered $1.9 million within ten days. In contrast, the lack of pay-out when the Solomon Islands were affected last year was experienced negatively, and questions emerged again as to the value of risk mitigation. We, consequently, must all continue refining our models and educating.

Peter ELLSWORTH, Senior Manager of Investment Programmes at CERES, emphasised a different but equally important gap, namely in information about investment risk. Many investors, particularly institutional, continue to take a discursive or even anecdotal approach to climate risk that does not link materiality with any metric. He points out that capital markets could be missing crucial points, which insurers are able to see and quantify, thanks to their different lens.

The speakers agreed that data in all forms – whether "Big Data", data shared across traditional public-private boundaries, crowd-sourced data – will be of immeasurable importance, Peter ELLSWORTH concluding that the known is always less frightening than the unknown.

Picking up on this, Rachel KYTE emphasised two questions yet to be answered: where, in investment and asset management by insurance companies, risk lie? if the insurance does understand climate risk to the extent it claims to, why does it offer such blunt insurance products? Philippe DERIEUX explained that the journey had begun but, by definition, would take time and imply a number of steps, in order to ensure that the responses are effective and suited to actual need.

CONCLUSION OF ROUND TABLE 2

Henri DE CASTRIES, Chairman and CEO of AXA spoke from the perspective of a large insurance company, operating in both mature and emerging countries, and leader in its industry world-wide for the last six years.

AXA concurs that a world in which the temperature rise exceeds 2° is not one in which humanity can live. This undeniable fact is not widely shared enough. He sees insurance companies like pianos, with a wide variety of keys at their disposal to produce tunes that soften reality.

He announced four major commitments in Assets:

- AXA will divest all of its remaining call exposure in its portfolio by the end of the year.
- It will triple its green investments by 2020, raising the figure to €3 billion.
- It will include an ESG approach in all general accounts portfolios as part of the process until the end of this year.
- Working with Caisse des Dépôts, it will join the Montreal Pledge and disclose its carbon footprint in our portfolios at year-end.

In Liabilities, it will work to improve clients' awareness about risks and, rather than help clients face claims, attempt to help them not even encounter those claims.

"Spreading the word", then, means conveying the understanding that risks exist not only for the next year or next quarter, but indeed risks that could kill a business model in the long-term future.

It has been suggested that customers be asked: "Are you sure that your new investments are compatible with reasonable scenarios?" and advised to avoid them should the answer be negative. One key factor in this game will be the ability to bring the emerging countries on-board in this effort. This will require specially-designed solutions possible through joint effort with institutions represented at Climate Finance Day.

AXA will further be joining the African Risk Capacity, wishing to increase prevention efforts, and thus reduce the consequences of disasters and improve resilience overall.

The decisions announced today are not the end point in AXA's journey. As insurers, it knows that the sustainability of society is the most important long-term aim. While the threat has never been so high as today, the solutions have never been so convincing. The panellists have discussed what new technologies can bring. He is convinced that this is a turning point, just as the world was in the second half of the 19th century, when electricity came into wide-spread use. This situation will require that we re-invent many of the solutions we have developed thus far.

One point needs to be considered very seriously: the world's significant savings capacity is very poorly allocated, not only because there are too many inequalities in the world, but also because well-meant regulations sometimes lead to undesirable consequences. Insurers can see how well-intended financial regulation has led to very significant mis-allocation of long term savings. They would love to be able to invest more in infrastructures to finance the development of more environmentally-friendly business models, but also see the risks involved. To increase the leverage possible and put financial institutions' balance sheets to better use, they should educate governments to take more informed risks, which would foster better allocation of savings and better long-term investments.

ANNOUNCEMENT OF GLOBAL INVESTMENT PLATFORM

The Principles for Responsible Investment (PRI), presented by Fiona REYNOLDS, the platform's Managing Director, is an organisation committed to taking action on climate change through the use of new energy, infrastructure and technologies. As the divestment debate continues to be the focus of headlines around the world, it is essential that further progress be made in mobilising finance and working together to tackle the definitive issue of this era: climate change.

The platform is a collaboration of institutional investors around the world, born from the need to address policy makers and the investment industry about climate action and climate-related risks. Players can manifest their commitment in a wide range of ways, from measuring their exposure to emissions under the Montreal Pledge, seeking listing on the low carbon investment directory, to taking part in initiatives to support clean energy or remove subsidies to fossil fuels.

All of the commitments and actions taking place throughout the planet can be found at our website investorsonclimate change.org. Over 400 investors are involved, hailing from 30 countries and representing $25 trillion in participating assets under management. 17 initiatives are showcased on the registry and throughout the platform. By participating, investors signal their intention to be part of the low-carbon economy and address climate risk.

While the platform presents an impressive story about investor activity, investors cannot act against the grain of government policy. Transparent long-term predictable policy signals are still needed to reinforce activities and encourage markets to go further. While the divestment campaign has raised many important questions and has been a good way to highlight that people are concerned about climate action, it has not provided all of the answers. A broader range of action is both imminent and necessary in addressing problems in energy supply and growing energy demand in emerging companies. The platform and the initiatives it showcases demonstrates how investors are contributing to addressing these issues.

The Platform was designed to encourage investors to be more public about their climate-risk activities and, in turn, show the way for others. To the policy makers and companies present, she asked that they take notice of the momentum in the investment community on climate action and incorporate it into their own thinking.

ANNOUNCEMENT OF INSURANCE INDUSTRY COMMITMENTS PLATFORM

Remco FISCHER, Programme Officer on Climate Change at UNEP described his institution, a public-private partnership between the United Nations' Environment Programme and the financial services industry, spanning over 250 financial institutions, largely from the private sector. Its membership encompasses three different industries: insurance, banking and investment. Today, it is launching a platform to mobilise commercial insurers world-wide so that they make climate change and sustainable development part of their commitments.

This platform will not be materialising in an empty space, nor is it an ad hoc effort; it is part of an comprehensive and long-term principles which the UN has developed in partnership with the insurance industry. It was launched in 2012, at the Rio Conference on Sustainable Development and has been endorsed by the UN Secretary General and by all CEOs of all PSI signatories. In only three years, the PSIs have been adopted by insurers world-wide, accounting for 50% of the world's insurance premiums and $9 trillion in assets under management. The Climate Change Programme hopes to catalyse and use the traction visible since the start of this event on the principles of sustainable development and climate change.

The core principles each relate to a different sphere of influence which insurance companies have at their disposal: core risk management, clients and business partners, governments, and disclosure and accounting mechanisms.

From as early as March 2015, the PRI issued a paper entitled United for Disaster Resilience, a collective industry-wide commitment to help support implementation of the framework agreed on in Sendai by UN Member States, regarding man-made, biological and other disasters, including extreme weather events.

Beyond this, the PSI sees the need to unlock and catalyse concrete commitments on the part of industry. This year offers an historical opportunity for the insurance industry to show investment leadership across a number of UN agendas; outstanding is COP21 and the road to that conference in Paris, including today's event. The types of commitment made by each insurance company will be specific, measurable and time-bound. They implement risk management processes and insurance underwriting diagrams to promote disaster risk reduction and climate change adaptation factors, and implement literacy programmes toward better social and financial implementation and more wide-spread insurance coverage.

As risk carriers, insurers will be able to use this platform to support commitments to develop new products and increase the capacity of existing products for low-income vulnerable and under-served user communities, climate-related disasters, and renewables and more efficient transportation and energy.

As investors, insurers will be able to refer to this platform to the investor platform. Lastly, as an industry working in partnership with governments, regulators and other key stakeholders, insurers will be able to commit to supporting prudential policies and frameworks that promote disaster risk reduction, post-disaster adaptation and improve access to insurance. He hoped that insurance companies will follow the example of AXA and that this platform, open for submissions until the end of September, will provide a ready-made vehicle for this.

ROUND TABLE 3

FINANCE FOR CLIMATE ACTION – TACKLING THE INVESTMENT CHALLENGE

This Round Table began with a Keynote Address from Jonathan TAYLOR, Vice-President of the European Investment Bank, the world's largest multi-lateral funding provider by volume and owned directly by the 28 EU Member States. In 2014, it provided €77 billion to nearly 500 projects, approximately 5% of which went to non-EU beneficiaries

It is also the world's largest financer of climate-related investment in renewable energy, dedicated to fighting the very real risks that undermine efforts to improve welfare, in particular in the world's poorest regions, and threaten economic growth across the globe. The decision made in the next seven months will shape the future climate for decades to come. Both the Sustainable Development Goals and the new Climate Agreement will depend heavily on the ability mobilise finance at scale. The scale of finance needed for a low-carbon climate-resilient planet lies in trillions, as suggested by the title of the Climate Finance event. While these numbers are challenging, the bulk of the investment needs to be found regardless, in order to renew transport, housing, etc.. It is a question of intelligently shifting the billions – a challenging goal, but one far easier than finding the billions.

This will require a clear agreed idea of the pathway forward. In March 2015, in Paris, the development finance community made key steps toward this, when a total of 24 development banks, including the NDBs and national development agencies agreed on common principles for climate-mitigating finance tracking. This community also agreed on common principles to track contributions from others, financially leverage their climate action and consistently build climate considerations – the so-called "mainstream" of climate change – into all projects financed.

More work is needed, however, to agree on concept guidelines and track adaptation finance, particularly with a view toward the conference in December. Mobilising more finance and adaptation measures is a major challenge to both the public and private sectors as there is often no immediate visible financial return, other than avoiding the cost of damage. Financing adaptation is also, by definition, linked to risks difficult to assess with the precision sometimes necessary for national intervention. At the same time, stepping up adaptation measures is crucial, in particular for the least-developed countries and small island states, where development efforts are too often undermined by severe weather events.

As one of the world's largest sources of financing for climate action, the EIB can target its funding in a way that helps achieve common goals, using green bonds or smaller innovative products geared in particular at private investors. It is also striving to set longer-term, more ambitious targets, including support for smart, sustainable cities. It has furthermore sought to integrate climate considerations into all of its interactions and practices, throughout the investment cycle.

The Paris COP21 Conference in December must and will address both adaptation to climate change and mitigation. The global risk created by climate change for all economies must be addressed by well-docked sustainable development goals and an agreement on the new climate approach. Delivery on those agreements will, in turn, require the mobilisation of financial flows on a huge scale, achievable only through effective cooperation between the public and private sectors. The EIB is already actively committed to this objective, running successful models, large and small, in a range of climate-related sectors, but will need to do more to meet the challenging by achievable objectives of achieving the trillions.

The Round Table was moderated by Christopher KNOWLES, Head of the Climate Change & Environment Division at the European Investment Bank (EIB).

I. Green Bonds

Vikas DAWRA, Managing Director of Sustainable Investment Banking at YES BANK described his organisation's four main achievements in the recent past, which were the backdrop to its first admittedly modest green bond issue: it has brought Green Bonds into the scope of discussion in India, stimulated regular investors to take an interest in renewable energies for the first time, turned bonds into tools used only for re-financing, but as the first port of call for project financing, and contributed to green energy, a form of energy in which it greatly believes.

It hopes that some of the larger banks will now make the effort to label some of their bonds, devote expertise to the issue, look at climate mitigation and channel funds to areas that truly matter. In India, green bonds are being used in a context of vitally-necessary ramp-up: out of the total 260 GW in installed capacity, 165 GW are coal-fired and 60 GW are off-grid; demand is expected to amount to three times the current levels in the next ten years; and 25% of the population, or 300 million people, have no access to the grid. A further factor specific to the Indian context is the use of the rupee.

Thomas VELLACOTT, CEO of WWF Switzerland, stated that, while exciting, green bonds also carry three types of risk: the lack of credible standards and criteria on the term "green" implies, hence less credibility for users; the possibility that green bonds alone do not have the scale needed to shift the trillions as hoped by conference leaders; a lack of clear source of investment for decarbonisation.

However, these three risks also show the way forward: ensuring that there are credible standards for financing the transition to clean air; bringing these out of the niche product segment into the broad market; and ensuring that incumbents and newcomers join forces and as we need all willing parties to pool and deliver on our goals.

Abyd KARMALI, Managing Director of Climate Finance at Bank of America Merrill Lynch saw a great deal of capital waiting to be shifted and invites engagement with the hundreds of capital markets in existence. Already, to help develop the market further, his colleagues launched the Green Bond Index, which is already outperforming every other bond index on the market.

He identified the largest risk for an Indian bond as the currency risk, for while the Indian rupee may have depreciated over the last 25 years, there are still spikes and hedging is expensive to the point that it removes the buffer which many investors require to consider an option viable.

Michael WILKINS, Managing Director of Environmental Finance at Standard & Poor's has watched the Green Bond market experience phenomenal growth, especially in the past two years. This year, it expects issuance of corporate green bonds to reach some $30 billion dollars –a drop in the ocean nonetheless when compared with the total number of fixed-income instruments, but an excellent start gotten off to an excellent start.

Today, the aim is to scale up, build additionality in the low-carbon economy so that there are many targets for investment, and secure greater yields for investors.

II. Using Public Resources to Leverage Private Resources

Andreas NEUKIRCH, a social entrepreneur on the main Board of GLS Bank and its CFO, spoke from the perspective of a niche player surprised to see the huge demand triggered by Green Bonds, though also a strong believer in their value and convinced that many of the goals of the clean energy economy are totally in line with those of the GLS bank, in particular, combining customer empowerment with a concrete new focus. This combination was always interesting to customers, which not only have the need to invest in their city in Germany, but were able to invest in Southern and Eastern Europe, and the bank is very pleased to offer this combination of public and private investments.

Abyd KARMALI described the Green Climate Fund, a perfect example of the need to take blending public and private finance to a new level and a key part to our achieving a satisfactory outcome in the UN negotiations. It was designed to reduce risk, lower the cost of capital, or in cases of energy-access, provide seed capital upfront. The performance metrics are also important: enabling clear CO2 performance, mobilising private capital, and contributing to other sustainable development goals.

Thomas VELLACOTT saw the Government's role as ensuring real impact, well beyond basic provision of capital, and taking the necessary regulatory steps. In that infrastructure investments are a long-term undertaking and the capital charges levied on them are, in essence, penalties inhibiting investment in sustainable infrastructure, governments could play an active part, in addition to teaming-up with private capital providers.

Vikas DAWRA was encouraged by the Indian Government's taking steps to create the right atmosphere for private sector funding. For the first time, the Minister for Conventional Energies is also the person responsible for renewable energies, such that there is no longer conflict and one individual can balance the needs of both sides. This has enabled much swifter action. Secondly, the government is nudging public-sector enterprises, also the largest producers of fossil fuels, coal, gas and energy, to invest in green energy.

The Round Table concludes with members seeing a turning point ahead, full of opportunity waiting to be turned into reality.

ROUND TABLE 4

INNOVATIONS FOR A SUSTAINABLE FINANCIAL SYSTEM: POLICIES, REGULATIONS, STANDARDS

Nick ROBINS, Co-Director of Inquiry into the Design of a Sustainable Financial System for UNEP moderated this session. Without policy reform, the calls to action heard over the course of this event will be inefficient, he stated, and without public financing, no new models of development will be able to come into being. It was clear, he stated, that the financial reform process is already underway and 2015 presents a major opportunity for international cooperation in Paris. He outlined that the priority actions which financial decision-makers can take in four main areas: risk, tool-building, orderly re-allocation of capital, and transparency.

One recent example of outstanding innovation has been the ten-year plan to take the financial plan of Indonesia to stable status. In 2015 and beyond, action underway at the national level, along with large-scale UN processes and signals from other parts of the international system offer great encouragement today.

Rintaro TAMAKI, Deputy Secretary General of the OECD saw the impact of core financial policies as possibly being undermined by policy mis-alignments in other areas, such as innovation, taxation, trade, are hard-wired to a fossil fuel world. With the climate and climate-related policies brought into the sphere of negotiations, the opportunity for policy alignment also comes to the fore, within regulatory circles, and across other sectors. He suggested also that incentives could be created, so that the financial sector plays a role as a driving force.

Michael SHEREN, Senior Bank Advisor to the Bank of England, presented the spectrum and paradigm under which it is looking at climate change. In essence, it has taken parts of the financial system and, through primary research, not only using questionnaires, but also granular one-two hour interviews to understand the motivations, approach and responses - determined how well or how poorly they have adapted.

From that first piece of work, the Bank of England has begun work on some of the issues mentioned today: stranded assets, the “tragedy of horizons”, using fiduciary assets appropriately; and disclosure. The Bank will choose three to five of these issues for further research and policy understanding and is very proud to be doing so.

Dr Rathin ROY, Director and Chief Executive of National Institute of Public Finance and Policy described India’s world view as different from that of other countries. First of all, it faces many obstacles in effectively impacting the global financial system: while many banks in India have money to lend, because of Basel II, they cannot do so and would be even more strapped under Basel III.

With energy demands set to triple, India is being asked to become the first major country in the world to undergo an industrial transformation without substantial recourse to fossil fuels. Many of its banks have announced that they would exit the coal business. Coal mining and use in India are incredibly inefficient, and thus incredibly expensive. Climate finance could help point out areas where funds could be better used.

With the help of Japan and Germany, it is now building 5 million jobs in the SME sector, depending on subsidised lines of credit, and increasing employment by becoming energy-efficient.

Frédéric SAMAMA, Deputy Global Head of Institutional and Sovereign Clients, referred to the fact that investors are increasingly taking on climate change risks, benefiting from innovation and the examples of their peers. Because of climate change, risks are not correctly rewarded; at the same time, they are also not easy to address. Many new players are developing innovative solutions to address this risk over the long run, from engagement, to investment, and initiatives around green bonds. A new series of innovative aspects have come into being, under the United Nations’ umbrella, to gather donors around the world already decarbonising portfolios and ready to share best practices with their peers and other long-term investors.

They could well accelerate the transfer of technology to the long-term investor technology. One simple decision which governments can implement at low cost immediately is requesting carbon transparency on the part of firms.

While Dr Rathin ROY felt that governments would do much better to require an energy audit on every business proposal made, Rintaro TAMAKI saw opportunities in better emissions pricing, and reflection of renewable energies in future costs. He advised that an appropriate regulatory framework should be set to mobilise institutional investors, attract short-term funds and make very economically rational investment in developing countries.

He adds that Finance Ministries have been focusing on how not to repeat the financial crisis when they should be building the new landscape.

Dr WANG Wen, Executive Dean of the Chongyang Institute for Financial Studies, Rennmin University of China, looked forward to 2015-16 as offering excellent opportunities and called upon UNESCO, the OECD, and all countries to push for G20-wide action in what he saw as a very exciting mission.

CLOSING ADDRESSES

Pierre-René LEMAS, CEO of Caisse des Dépôts Group called Paris Climate Day a major milestone in the mobilisation of the financial sector and a true turning point.

In the international financial sector, there has never been such a clear and forceful commitment heard and so widely shared as under the Montreal Pledge, also signed by Caisse des Dépôts. It will be joining those leading this movement and pledges disclosure all of these commitments will be made public on the platform.

As a financial institution, it will make all of our resources available to create the proper green tools and hopes to mobilise €15 billion by 2017. More broadly speaking, it is the hope of Caisse des Dépôts that the pioneering actions today become standard for the financing sector as a whole.

This event was designed to cover all aspects of the climate agenda, from portfolio divestment to greening and policy. In all of thematic areas, stakeholder commitment has been clear and sweeping. The true challenge will be to change the entire system in a universal movement.

Janos PASZTOR, Assistant Secretary-General on Climate Change to the United Nations, followed with his concluding words, identifying a number of trends which he was particularly pleased to see emerge from this event:

- the tectonic shift in the way business and the private finance community is addressing climate change;
- consensus on the need for a real carbon price;
- concrete action toward decarbonisation.

He looked forward to building a climate-resilient future with those present and represented and was encouraged to see the breadth of financial players both corporate and public at this meeting, as cooperation between the two sectors is essential. He emphasised that, in 2015, three global meetings would set the growth and development agenda for the next 15 years. The Climate Conference in December must provide a clear sense of Direction, without compromising the health of the planet or its population. The world's three largest economies, the US, China and the EU, have already placed their bets on the a low-carbon economy. The task now consists of ensuring, as he described, that all countries are part of the solution

Concluding the event, Laurent FABIUS, French Minister of Foreign Affairs and International Development confirmed this week as a turning point, full of events all pointing in the same direction. Now, he stated, all eyes are on COP21 in Paris, an event that will take place with greater public recognition and, for the first time, unchallenged scientific underpinnings to that event. Some of the countries previously reluctant have made strong commitment, including the United States.

While green growth does promise good business and major commitments have been secured, he cautioned against a delusive outlook and encouraged those in attendance to look only at the results, rather than at any promises. At the same time, a meeting such as Climate Finance Day would have been unthinkable only one year ago and initiatives of all kinds are emerging.

The prime objective of the Paris Conference will be to secure a universal differentiated agreement – a legally-binding instrument that ensures the temperature rise will not exceed 2° compared to the pre-industrial era. If no action is taken, the result will be typhoons, droughts and rising sea levels, but also potentially quicker spreading of epidemics, and exacerbated military conflicts.

While indeed encouraged by what was heard, he urged audience members to mobilise and engage further colleagues, asking also that they develop the "climate reflex" so that sustainability is part of the norm. Welcoming the many announcements made by governments and businesses, he reiterated the need to ensure that they come from both developing and developed countries, investment banks and stock markets, stakeholders and market players. He called for involvement in the very specific issue of financing for adaptation, not referring to adapting but indeed mitigation. Lastly, he pleaded for increasingly resilient structures, in particular the more vulnerable countries.

In the lead-up to COP21, he has purchased a special appointment book: less than 200 days remain to build on the dynamic seen here and ensure COP21 is a success, to convince of the issues at stake and even magnify the role played. He congratulated all those present on their mobilisation and looked forward to moving forward with them on the road to a low-carbon economy. This significant and historic change is, in his words, unavoidable: “there is no alternative, because there is no alternative planet”.